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An Appraisal of Frozen Food Packer Cooperatives

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FARMER COOPERATIVE SERVICE
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The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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Highlights

Frozen food locker and freezer provisioning cooperatives are continuing to change the scope of their operations. The changes are pointed out in this report which is a follow-up to an industry-wide study of frozen food locker and freezer provisioners Farmer Cooperative Service published in 1962.

More specifically, this report contains information on location, patronage, sales volume, processing volume, and merchandising activities.

About 600 locker and freezer provisioning cooperatives were operating in 42 States with the heaviest concentration in the North Central Region.

Some of the more important comparisons between these cooperatives and all firms of the frozen food locker and freezer provisioning industry were:

- About three-fifths of the cooperatives were located in towns of 1,000 or less population, while only one-third of all types of firms were located in this size town.

- Cooperatives served an average of 541 patrons -- a 37 percent increase in 5 years. This is about 80 percent as many patrons as the average firm served.

- The average cooperative had sales of products and custom services of \$24,700 or about one-third the average of all

firms. Custom services accounted for over half of these sales for the average cooperative (\$13,300), compared with an average of only 14 percent for all firms (\$12,000).

- Average processing volume was 208,000 pounds per cooperative -- a little above the average for all firms. Average slaughter volume and curing volume were substantially the same for cooperative firms and for all firms.

- Forty-four percent of the cooperatives operated slaughter facilities compared with only 36 percent for the entire industry. Cooperatives operated fresh meat processing facilities in about the same proportion as all firms, while 17 percent fewer cooperatives operated curing facilities than all firms in the industry.

- Cooperatives are increasing their commercial operations -- that is, processing food products for sale -- at a faster rate than the entire industry. Merchandising activities among cooperatives, however, have shown little change since 1955, except for a substantial increase in food financing and a decline in the proportion of cooperatives that sell frozen foods packed by other plants.

- The average cooperative firm had about 15 percent more lockers installed and rented than the average firm.

- Rates for renting lockers; curing pork; and cutting, wrapping, freezing, and

grinding beef in cooperatives were about 10 percent below those for all firms.

These comparisons generally show cooperatives have not moved into the areas of commercial processing and merchandising to the same extent other types of business have. One would normally expect this because of the essential differences in the nature of cooperatives and other businesses.

The cooperatives were established as service organizations for their member-patrons. As such their main objective

was, and largely still is, to process and store products for members without ever taking title to those products. Shifting to a different type of operation requires approval by the members of the proposed new mode of operation. How benefits will be reflected to member-patrons must also be considered.

Other businesses need not undergo this same probing self-analysis and, therefore, can shift from custom to commercial operation more readily than cooperatives to exploit changing economic conditions.

An Appraisal of Frozen Food Locker Cooperatives

by William R. Seymour and Bert D. Miner

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This report contains information on development, patronage, sales, processing, merchandising, employment, size, rates, and problems and opportunities of frozen food locker cooperatives. It should be helpful to managers and directors of these organizations in improving operations and in serving member-patrons better.

This report is a follow-up to an industry-wide study of frozen food locker and freezer provisioners Farmer Cooperative Service published in 1962. These industry-wide studies are made every five years. Approximately 4,400 of the nearly 10,000 firms in the industry participated in the last one. Among these were some 240 cooperatives.¹

The authors, therefore, were able to compare the operations of these cooperatives with the entire industry. They also were able to identify important cooperative developments between 1955 and

1960 since a similar study was made of their 1955 operations.²

The report is divided into nine major sections:

1. Development of locker cooperatives in the industry -- what has been done and what is now taking place.
2. Patrons -- Cooperatives' life-blood.
3. Sales of products and services -- a measure of the relative size of the organizations.
4. Processing volume -- another measure of the relative size of the organizations.
5. Commercial and merchandising operations -- a discussion of the changes in the industry.
6. Employment -- number and productivity of employees.
7. Lockers installed and rented -- a measure of relative size of each firm.

¹Wilkins, Paul C. and Miner, Bert D. Frozen Food Locker and Freezer Provisioning Industry, 1960, Marketing Research Report 545, Farmer Cooperative Service, U. S. Dept. of Agr., 1962.

²Miner, Bert D., Mann, Lorenzo B., and Wilkins, Paul C. An Appraisal of Frozen Food Locker Cooperatives, Service Report 43, Farmer Cooperative Service, U. S. Dept. of Agr., 1959.

8. Rental and processing rates -- an examination of cooperatives in relation to those in the rest of the industry.

9. Problems and opportunities.

The term "all firms" as used in this report refers to all frozen food locker and freezer provisioning firms in the industry. The term "cooperatives" is used to designate frozen food locker cooperatives.

Development

The Pacific Northwest pioneered in development of frozen food locker cooperatives. The first cooperative to provide freezing and storage service to patrons was the Whatcom County Dairymen's Association, Bellingham, Wash. This cooperative started in 1923 to freeze meat in boxes on the floor of the plant's sharp freeze room for patrons. In 1925 shelves were added. The second cooperative to enter the picture was the Walla Walla Dairymen's Association of Walla Walla, Wash. in 1927.

By 1937, cooperative locker plants had reached a total of about 145. During the next ten years they grew steadily until their number reached approximately 900.

From 1947 to 1955, cooperatives followed about the same trend as the total industry; a fast increase until about 1951 then a slow decline. In 1955 there were about 600 cooperatives. During the

last five years the number and location of these cooperatives have remained about the same.

Figure 1 shows the estimated number of cooperatives by regions in 1960. It also shows the states comprising each of the six regions referred to in various tabulations in this report.

Most of the frozen food locker cooperatives reporting were located in small rural towns as shown in the accompanying tabulation.

Population of town	Cooperatives	All firms
<i>Percent</i>		
1,000 and under	57	36
1,001 - 5,000	31	32
5,001 - 10,000	5	9
10,001 - 25,000	5	9
Over 25,000	2	14

Patrons

In 1959 the average cooperative locker firm served 541 patrons. This was about 20 percent less than the average of all firms -- 653 (table 1). However, percentage increase in number of patrons served was the same for both cooperatives and all firms between 1954 and 1959 -- 37 percent.

The North Central Region accounted for the largest portion of cooperatives' patrons -- 65 percent. The same region accounted for 49 percent of all patrons in the industry. The smallest total number of cooperatives' patrons was in the Mountain Region while the South Atlantic Region had the smallest total number of

FIG. 1

Estimated Number of Locker and Freezer Provisioning Cooperatives, by Region, 1960

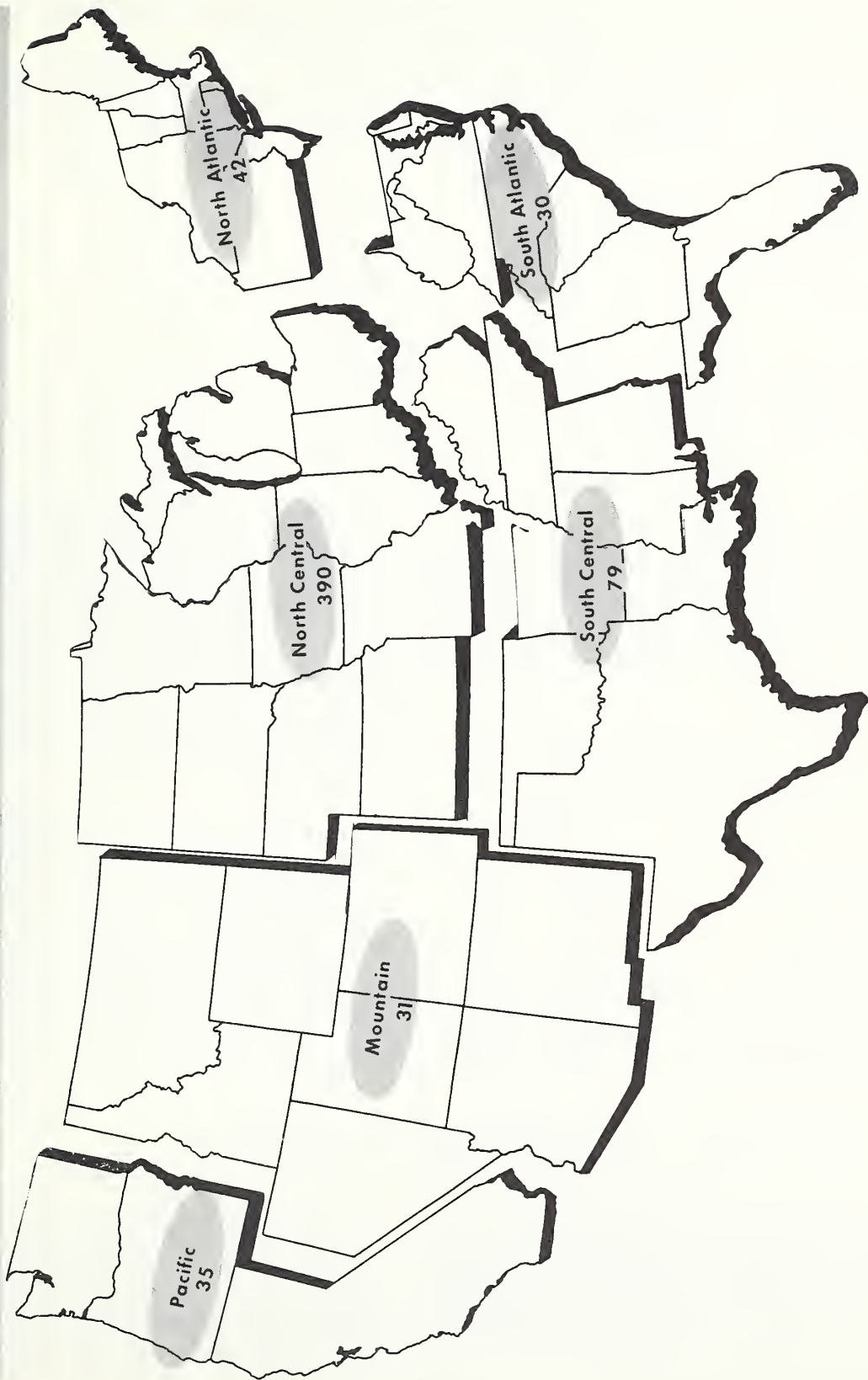


Table 1. - Average number of patrons per firm and percentage distribution among regions for cooperatives and all firms

Region	Average patrons per firm		Distribution of patrons	
	Cooperatives	All firms	Cooperatives	All firms
	<u>Number</u>		<u>Percent</u>	
North Atlantic	459	786	4	9
North Central	464	603	65	49
South Atlantic	1,651	948	10	6
South Central	919	801	14	13
Mountain	279	623	3	.8
Pacific	370	595	4	15
United States 1959	541	653	100	100
United States 1954	394	478		

patrons for all firms.

Cooperatives and all firms in smaller communities served fewer patrons per firm than those in large communities as shown in the accompanying tabulation.

Population of town	Cooperatives	All firms
	<u>Number</u>	
1,000 and under	334	358
1,001 - 2,000	540	590
2,001 - 5,000	729	645
5,001 - 10,000	712	916
10,001 - 25,000	1,443	908
Over 25,000	2,505	1,173
United States	541	653

Table 2, shows 62 percent of the cooperatives compared with 55 percent of all firms served fewer than 500 patrons each. In the South Atlantic Region, half of the reporting cooperatives had 1,000 or more patrons each with half of these reporting 2,000 or more patrons each. In contrast about nine out of ten cooperatives in the Mountain Region had fewer than 500 patrons each.

One of the more important reasons for this difference is that South Central cooperatives have larger numbers of patrons using the slaughtering and curing services of these organizations than cooperatives in the Mountain Region which generally do not provide these services and thus fail to attract these additional patrons.

Sale of Products and Services

One measure of business size and activity is dollar volume. This measure can be used by managers and boards of directors of cooperatives in making plans to improve their operations.

Questions that might help in planning are these: What is the relation of present dollar volume to optimum volume? How does the dollar volume in one plant relate to the volume in other similar plants?

Table 2. - *Percentage of firms serving specified number of patrons, cooperatives compared to all firms by regions*

Location and type	Patrons per firm				
	Under 500	500-999	1,000-1,499	1,500-1,999	2,000 and over
<u>Percent</u>					
North Atlantic					
Cooperatives	60	30	10	-	-
All firms	57	27	6	3	7
North Central					
Cooperatives	65	25	6	2	2
All firms	58	28	7	3	4
South Atlantic					
Cooperatives	12	38	25	-	25
All firms	38	29	9	11	13
South Central					
Cooperatives	38	38	6	6	12
All firms	41	33	12	6	8
Mountain					
Cooperatives	89	11	-	-	-
All firms	57	23	10	5	5
Pacific					
Cooperatives	75	25	-	-	-
All firms	62	20	8	1	9
United States					
Cooperatives	62	26	6	2	4
All firms	55	27	8	4	6

How does dollar volume relate to the average volume of all firms -- better, worse, or about the same? How can cooperatives obtain more dollar volume by studying the sales experience of the total industry?

Information on average volume of sales helps managers answer these questions.

Average Firm Sales

Average sales of products and services per cooperative was \$24,700 or about

one-third the average for all firms -- \$85,500. This was equivalent to an average sale of \$46 per patron for cooperatives and \$141 per patrons for all firms (table 3).

Average sales per cooperative has increased about 65 percent since 1954 while average sales for all firms has increased about 225 percent. This indicates that cooperatives processed less product, charged lower rates, or a combination of these. As will be found later in this report, it was mostly a matter of lower rates.

Table 3. - Average sales per firm and average sales per patron, by source

Source	Average sales per firms		Average sales per patron	
	Cooperatives	All firms	Cooperatives	All firms
Custom service	\$13,300	\$12,000	\$25	\$18
Meat and poultry	9,800	47,900	18	73
Other frozen foods	600	7,700	1	12
Homefreezers	200	16,200	(1)	25
Other (Miscellaneous)	800	1,700	2	3
All sources	24,700	85,500	46	131

¹Less than \$.50.

Now looking at where these sales came from, we find that over half (\$47,900 average for all firms) came from the sale of meat and poultry. Cooperatives, on the other hand, had average sales of \$9,800 for meat and poultry or about one-fifth of the average of all firms.

Cooperatives sold very few home-freezers. Reported dollar volume averaged about \$200 a cooperative. For all firms, sale of homefreezers accounted for about one-fifth of these dollar volume -- a \$16,200 average for each firm.

Sale of other frozen foods also contributed very little to average sales in cooperatives, just over 2 percent. In contrast, other frozen foods contributed about 10 percent to the value of average sales for all firms.

Custom services were the most important source of sales for cooperatives -- accounting for over 50 percent of sales. Average sales of custom services for cooperatives exceeded those of all firms by about 10 percent.

One would normally expect cooperatives to make their best showing in the

area of custom services because of their essential nature. Most of the frozen food locker cooperatives were established to process and store products for their member-patrons without ever taking title to those products. Changing this procedure requires prior approval of any new proposed mode of operation by members. The manner in which benefits will be reflected to member-patrons must also be considered.

Range of Sales

Sales volume of firms in the locker and freezer provisioning industry ranged from less than \$10,000 to about \$8 million. One percent of the cooperatives had sales of over \$100,000 compared with 21 percent of all firms (table 4).

About 65 percent of the cooperatives compared with about 40 percent of all firms had sales of under \$25,000. A large percentage -- about 60 percent -- of cooperatives in the Mountain and Pacific regions had sales of less than \$10,000. The North Atlantic Region showed about 10 percent of its cooperatives had sales of under \$10,000 and about 10 percent had sales of \$100,000 or over.

Table 4. - *Percentage of locker and freezer provisioning cooperatives and all firms with specified sales volume, by region*

Region	Sales volume range					
	Under \$10,000	\$10,000- 24,999	\$25,000- 49,999	\$50,000- 74,999	\$75,000- 99,999	\$100,000 and over
<u>Percent</u>						
North Atlantic						
Cooperatives	9	41	25	9	8	8
All firms	18	14	17	9	8	34
North Central						
Cooperatives	35	31	21	9	3	1
All firms	21	24	23	12	6	14
South Atlantic						
Cooperatives	13	13	38	12	24	0
All firms	8	18	23	10	9	32
South Central						
Cooperatives	20	33	33	14	0	0
All firms	19	20	22	10	6	23
Mountain						
Cooperatives	64	12	12	0	12	0
All firms	30	19	12	10	5	24
Pacific						
Cooperatives	57	29	0	14	0	0
All firms	27	14	17	12	7	23
United States						
Cooperatives	33	30	22	10	4	1
All firms	22	20	20	11	6	21

Meat and Poultry Sales

Meat and poultry sales were broken down into the following general sales outlets: (1) Bulk quantities to locker and freezer patrons, (2) retail cuts over a meat counter in the plant, and (3) whole-sale quantities to institutions, restaurants, and so forth.

Both cooperatives and all firms sold about two-thirds of their meat and poultry

in bulk quantities to locker and freezer patrons (table 5). The proportion of meat sold through each of the three general outlets varied from region to region for both groups of establishments.

All firms showed a higher percentage of sales to institutional businesses than did cooperatives. Over the meat counter sales accounted for the smallest percentage of sales for all firms.

Table 5. - *Percentage of meat sold through specified sales outlets, by region, for cooperatives and all firms*

Region	Bulk quantities to locker and freezer patrons		Retail cuts over meat counters in the plant		Institutions, restaurants, and similar organizations	
	Cooperatives	All firms	Cooperatives	All firms	Cooperatives	All firms
<u>Percent</u>						
North Atlantic	58	79	41	11	1	10
North Central	71	57	18	18	11	25
South Atlantic	50	65	15	6	35	29
South Central	77	60	15	11	8	29
Mountain	80	56	10	14	10	30
Pacific	67	72	20	10	13	18
United States	67	65	20	13	13	22

Processing Volume

The degree of efficiency a cooperative locker manager can realize in his processing operation is directly related to the volume of products processed through his business. To reach peak efficiency, and consequently reduce unit costs, management needs to know the capacity of their plants and equipment, and then strive to attain the volume economically consistent with this capacity.

Although this volume is not given in this report, information on average volume is given on meat and poultry processing, slaughter volume, pork curing, and poultry dressing.

Meat and Poultry

Eighty-four percent of the cooperatives processed meat and poultry compared with 89 percent of all firms as the accompanying tabulation shows.

Cooperatives showed a gain of 5 percent in number of firms reporting meat

Region	Cooperatives	All firms
<u>Percent</u>		
North Atlantic	91	82
North Central	83	93
South Atlantic	100	91
South Central	100	97
Mountain	75	89
Pacific	58	75
United States 1959	84	89
United States 1954	79	89

and poultry processing since 1955 while the percentage of all firms remained unchanged. This gain in the percentage of cooperatives offering these processing services is mostly due to discontinuance of small, limited service plants.

The accompanying tabulation shows that both cooperatives and all firms having access to processing facilities processed about the same number of pounds of meat and poultry per firm -- 208,000 and 203,000 respectively. Average pounds

processed per cooperative varied by region from a high of approximately 500,000 pounds in the South Atlantic region to a low of 56,000 pounds in the North Atlantic Region.

Region	Cooper- atives	All firms
<u>1,000 pounds</u>		
North Atlantic	56	304
North Central	204	195
South Atlantic	499	296
South Central	213	221
Mountain	71	167
Pacific	172	167
United States	208	203

Firms located in larger towns processed more meat and poultry on the average than those located in smaller ones. This relationship generally held true for both cooperatives and all firms (table 6).

Table 6. - Average pounds of meat and poultry processed by firms having access to processing facilities, by size of town

Size of town	Cooper- atives	All firms
<u>1,000 pounds</u>		
1,000 and under	152	133
1,001 - 2,000	220	194
2,001 - 5,000	270	203
5,001 - 10,000	126	247
10,001 - 25,000	460	317
Over 25,000	¹ 1,095	354
United States	208	203

¹The volume of two cooperatives, one in the South Atlantic Region with volume of 1,200,000 pounds and one in the North Atlantic Region with a volume of 990,000 pounds, greatly influenced the average volume in towns of this size.

Slaughter Volume

A larger percentage of the cooperatives had slaughter facilities than did all firms as shown in the following tabulation:

Region	Cooper- atives	All firms
<u>Percent</u>		
North Atlantic	8	12
North Central	48	49
South Atlantic	50	32
South Central	63	44
Mountain	25	21
Pacific	0	7
United States	44	36

The percentages of cooperatives in the North Central, Mountain, South Atlantic and South Central Regions were approximately equal to or exceeded the percentage of all firms having slaughter facilities.

In 1954 the average cooperative with slaughter facilities slaughtered 14 percent more cattle and hogs than the average of all firms with slaughter facilities. Five years later, however, the average cattle and hog slaughter volume of all firms exceeded the average of cooperatives by approximately 6 percent.

As shown in the following tabulation, the average cooperative with slaughter facilities in the South Atlantic Region killed 1,980 head of cattle and hogs. The average for the South Central Region was 1,664.

None of the cooperatives reporting from the Pacific Region slaughtered livestock.

Region	Cooper- atives	All firms
<u>Number</u>		
North Atlantic	975	1,119
North Central	569	675
South Atlantic	1,980	1,445
South Central	1,664	1,136
Mountain	558	611
Pacific	-	1,008
United States 1959	741	783
United States 1954	923	809

Curing Pork

The average cooperative having curing facilities cured 30,000 pounds of pork compared with 29,000 pounds for the average of all firms (table 7). Cooperatives of the South Atlantic Region cured

an average of 157,000 pounds of pork while those of the mountain Region averaged 2,000 pounds.

Thirty-nine percent of the cooperatives and 47 percent of all firms reported facilities for curing pork.

Poultry Dressing

Decline in number and size of farm poultry flocks over the past 5 years has had an impact on custom dressing of poultry by the locker and freezer industry. For all firms reporting dressing facilities, the volume dropped from an average of 4,200 birds in 1954 to 3,400 in 1959. In 1959 cooperatives dressed an average of 3,300 head of poultry. About 20 percent of the cooperatives compared to 10 percent of all firms dressed poultry in 1959.

Table 7. - Average number of pounds of pork cured and percentage of firms reporting curing facilities, by regions

Region	Average pounds cured per firm reporting curing facilities		Percent of firms reporting curing pork	
	Cooperatives	All firms	Cooperatives	All firms
<u>1,000 pounds</u>			<u>Percent</u>	
North Atlantic	11	31	25	30
North Central	19	21	39	54
South Atlantic	157	100	88	73
South Central	34	32	53	59
Mountain	2	31	17	33
Pacific	5	22	25	24
United States	30	29	39	47

Commercial and Merchandising Operations

An increasing number of locker and freezer provisioning firms have expanded their operations to include a variety of commercial and merchandising operations

in addition to their custom services. This has been encouraged by the growth in the use of homefreezers among farm and non-farm families. These firms have

also increased their volume by supplying foods to local hospitals, schools, grocery stores, restaurants and the like.

Commercial Operations

Cooperatives have shown a substantial increase in percentage performing selected commercial operations. The percentage of firms engaging in these operations is increasing more rapidly among cooperatives than among all firms (table 8).

The proportion of cooperatives producing cured meats for sale and pork sausage for sale increased 9 and 8 percentage points respectively between 1955 and 1960. Now about one out of four cooperatives engage in these operations. The percentage of cooperatives buying livestock for slaughter and resale (23 percent) increased 5 percentage points compared with 2 for all firms.

Portion-control meats is a relatively new and growing innovation in the meat industry. By 1960 six percent of the cooperatives and 12 percent of all firms were producing portion-control meats.

In general, a larger percentage of both cooperatives and all firms in the South Atlantic Region performed various commercial operations than did firms in other regions. The Pacific Region showed fewer of its firms promoting these operations than any other region did.

Merchandising Activities

Merchandising food and services to homefreezer owners is a growing activity in most successful locker and freezer provisioning firms. Cooperatives are moving ahead in this development, but they are feeling their way as they go because of the problems in organization and internal operation it poses.

Table 8. - *Percentage of locker and freezer provisioning firms engaged in selected commercial operations, by region*

Region	Buy livestock for slaughter and resale		Produce cured meats for sale		Produce pork sausage for sale		Portion meats ¹	
	Cooperatives	All firms	Cooperatives	All firms	Cooperatives	All firms	Cooperatives	All firms
<i>Percent</i>								
North Atlantic	8	9	17	26	42	37	17	11
North Central	24	34	26	41	24	45	5	13
South Atlantic	63	28	50	51	63	50	13	13
South Central	26	34	53	35	47	51	16	14
Mountain	17	22	25	25	25	40	0	17
Pacific	8	4	8	17	8	30	0	8
United States 1960	23	26	28	34	27	42	6	12
United States 1955	18	24	19	26	19	34	(2)	(2)

¹Individual meat servings of equal weight.

²No information available.

The major merchandising activity for cooperatives as well as all firms are shown in table 9. About one-third of the cooperatives sell packer meat in wholesale cuts. This compared with about one-half for all firms. No change has occurred in the past 5 years in the proportion of firms engaged in this major activity.

Fewer cooperatives were selling commercial frozen foods in 1960 than in 1955--34 percent in 1955 compared to 24 percent in 1960. A small decline in this activity was also shown for all firms.

Discount prices for commercial frozen foods at grocery stores made it difficult for the industry to offer any price advantage to their patrons for these items. The percentage of firms engaged in financing or arranging financing for 60 days or more for bulk food has shown a marked increase since 1955 -- about doubling for both cooperatives and all firms.

About 9 percent of the cooperatives indicated that they sold homefreezers.

This percentage was unchanged from 1955.

Table 9. - *Percentage of cooperatives and all firms engaged in selected merchandising activities*

Merchandising activity	Cooperatives	All firms
	<u>Percent</u>	
Sell packer slaughter meat in wholesale cuts	34	54
Sell frozen food packed by other plants	24	51
Finance or arrange financing for 60 days or more for bulk food	13	31
Provide food delivery service	9	25
Sell frozen meat on net weight basis	15	23
Sell frozen meat in pre-packed meat boxes or bundles	9	20
Sell homefreezers	9	14
Maintain inventory of frozen retail meat cut to fill orders	7	13
Include dry groceries in freezer provisioning operation	8	10

Employment

The average cooperative employed 3 people compared with an average of 5 for all firms. The larger average number of employees in all firms, as compared with cooperatives, is due primarily to the greater emphasis on commercial processing and merchandising among other businesses.

As shown in the accompanying tabulation, firms of the South Atlantic Region employed more people per firm than firms in any other region.

Region	Cooperatives	All firms
	<u>Number</u>	
North Atlantic	4	8
North Central	3	4
South Atlantic	9	9
South Central	6	6
Mountain	3	4
Pacific	2	4
United States	3	5

Lockers Installed and Rented

In 1960 the average cooperative had 459 lockers installed (table 10). Of these, 321, or 70 percent, were rented. Cooperatives had larger plants and rented more lockers than the average firm. On the average all firms had 404 lockers installed and 279, or 69 percent, rented. In

general, locker and freezer provisioning firms had fewer lockers installed and rented in 1960 than they had in 1955. The one exception to this was that cooperatives reported 7 percent more lockers installed in 1960 than they reported in 1955.

Table 10. - Average number of lockers installed and rented, and percentage of lockers rented of lockers installed by region

Region	Average number of lockers				Percentage of lockers rented of installed	
	Installed		Rented			
	Cooperatives	All firms	Cooperatives	All firms	Cooperatives	All firms
			<i>Number</i>		<i>Percent</i>	
North Atlantic	459	407	356	273	78	67
North Central	436	381	303	267	70	70
South Atlantic	662	441	561	306	85	69
South Central	541	438	313	289	58	66
Mountain	350	427	221	300	63	70
Pacific	549	430	402	294	73	68
United States 1960	459	404	321	279	70	69
United States 1955	430 ¹	433	354	340	82	78

Rental and Processing Rates

Revenue from locker rentals and custom processing provided a substantial part of the total revenue of many locker plants. For several cooperatives, these were the only sources of revenue.

Because of the gradually rising costs of operation since 1955, cooperatives have raised their rental, and processing rates (table 11). Despite the increase, the average rental rate among cooperatives was about 10 percent below that of all firms. Rates to cut, wrap, freeze, and

grind beef and to cure and smoke pork were also below those of all firms -- 14 percent and 9 percent respectively.

Cooperatives of the South Atlantic Region charged the highest average annual rate for renting lockers (\$14.48) while the Pacific Region charged the lowest (\$9.63). The North Atlantic cooperatives had the highest average rate for cutting, wrapping, freezing, and grinding beef and curing and smoking pork. The Mountain Region had the lowest rates for these services.

Table 11. - Average locker rental and processing rates, by region

Region	Average annual locker rental rate		Rate per 100 pounds to			
			Cut, wrap, freeze and grind beef		Cure and smoke pork	
	Cooperatives	All firms	Cooperatives	All firms	Cooperatives	All firms
North Atlantic	\$13.33	\$15.43	\$6.40	\$6.39	\$7.25	\$8.28
North Central	11.78	12.97	4.21	4.65	6.55	6.81
South Atlantic	14.48	16.51	5.66	6.03	6.00	7.13
South Central	14.19	14.56	4.92	5.12	5.81	6.27
Mountain	12.86	13.54	4.20	5.15	5.50	7.12
Pacific	9.63	12.06	4.25	5.85	6.25	8.24
United States 1960	12.14	13.39	4.50	5.13	6.41	6.98
United States 1955	11.83	13.28	3.88	4.28	6.00	6.32

Problems and Opportunities

Several general economic developments are important to frozen food locker cooperatives because of the problems and opportunities they create.

Among these are (1) an increasing number of homefreezers in use, (2) a decreasing number of farm families, (3) an increasing number of rural non-farm families, (4) an increase in specialized farming, and (5) a decreasing number of rural families growing food for their own use.

These trends indicate that managers and directors need to re-examine their cooperative to see if it is meeting the needs of member-patrons and how it can do a better job.

Are they satisfied with the processing services? What additional services are they willing to pay for? Are they renting lockers in addition to using homefreezers? Do they use the cooperative to market some of their farm produced products? Are they satisfied with the rates the cooperative charges? Do the rates cover

costs? Do the members want to buy a variety of frozen foods in bulk quantities through the cooperative? Do they want the cooperative to supply only meats and meat products?

These are some of the more important questions managers and directors need to ask and answer.

An important problem faced by these cooperatives is the need to determine objectives. Are they going to organize and operate as service, marketing, or consumer cooperatives or some combination thereof? This will depend upon who is to own, control, and benefit from their operation. Unless members decide what kind of cooperative they want, they will find it difficult to tell what laws and regulations will apply, where control will rest, how patronage refunds will be allocated and distributed, and other questions that further relate to the distinct nature of the cooperative form of organization.

Keeping adequate records is another responsibility if effective business

controls are to be maintained and if the association is to account for the handling of funds and to properly distribute net savings. Accounting records, if properly constructed and maintained, can serve this purpose plus serving as a decision making tool of management. Information on a good managerial accounting system is available³ through previous studies of Farmer Cooperative Service.

Likewise FCS studies show that management⁴ and merchandising⁵ become increasingly important as a cooperative moves beyond strictly custom processing and locker renting. Purchasing, selling, accounting, scheduling, financing, extending credit, planning, and other functions all need attention for the cooperative to operate smoothly and efficiently.

Any opportunity for growth and service has problems associated with it. Frozen food locker cooperatives have increasing

opportunities to serve rural people. Over 2 million farm families and several million rural non-farm families have home-freezers. This is a large and growing market for products and services these cooperatives can provide.

Moreover, these cooperatives can probably serve the institutional trade in many small communities that large meat packers cannot economically serve. Because of location, a local cooperative frequently has lower transportation and handling costs in serving these local markets than a regional or national packer. Because of size and organization the local cooperative also is able to achieve considerable flexibility in meeting local needs.

To capitalize on their opportunities and to deal effectively with the many problems associated with improving services to members and patrons, frozen food locker and similar local processing cooperatives need to devote greater attention to setting objectives and then seeing that these objectives are attained through more effective merchandising, more efficient use of facilities, and more effective management from both hired managers and directors.

³Dickens, Robert L. Management Accounting for Frozen Food Locker and Related Plant, Agriculture Handbook 220, Farmer Cooperative Service, U. S. Dept. of Agr., 1961.

⁴Mullen, James J., and DeBoer, Lloyd M. Business Management of Frozen Food Locker and Related Plants, Marketing Research Report 258, Farmer Cooperative Service, U. S. Dept. of Agr., 1958.

⁵Miner, Bert D. Merchandising Practices for Freezer Provisioners, Marketing Research Report 453, Farmer Cooperative Service, U. S. Dept. of Agr., 1961.

Other Publications Available

Management Accounting for Frozen Food Locker and Related Plants, Agriculture Handbook 220, Robert L. Dickens.

Business Management of Frozen Food Locker and Related Plants, Marketing Research Report 258, James J. Mullen and Lloyd M. DeBoer.

Guide to Uniform Accounting for Locker and Freezer Provisioners, Agriculture Handbook 163, Thornton W. Snead, Sr., and Paul C. Wilkins.

Merchandising Frozen Food by Locker and Freezer Provisioning Plants, Marketing Research Report 313, Bert D. Miner.

Merchandising Practices for Freezer Provisioners, Marketing Research Report 453, Bert D. Miner.

Producing and Merchandising Sausage in Small Plants, FCS Circular 5, C. G. Randell.

Operating Costs of Selected Frozen Food Locker Cooperatives, FCA Bulletin 71, Paul C. Wilkins and L. B. Mann.

Frozen Food Locker and Freezer Provisioning Industry, 1960, Marketing Research Report 545, P. C. Wilkins and B. D. Miner.

A copy of these publications may be obtained upon request while a supply is available from --

Farmer Cooperative Service
U. S. Department of Agriculture
Washington 25, D. C.

